




## THE CITY OF SAN DIEGO

DATE: October 10, 2008

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor 

SUBJECT: **Monthly City Auditor Activity Report – September 2008**

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This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of September 2008. It includes the audit reports issued and other accomplishments produced during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

### **Audit Reports and Accomplishments:**

- September 4, 2008 – Issued our Revised Annual Audit Work Plan for Fiscal Year 2009. We revised our work plan to include our proposal to audit City Agencies. Our Audit Work Plan was developed by considering the required audits mandated by the City Charter and the San Diego Municipal Code as well as the results of the Citywide Risk Assessment. We designed our Work Plan to address what we considered to be the highest priority areas, while limiting the scope of work to what we can realistically accomplish with the staff resources available. The Work Plan can be found on our website at: <http://www.sandiego.gov/auditor/pdf/fy09revisedworkplan.pdf>
- September 8, 2008 – Presented our Revised Annual Work Plan for Fiscal Year 2009 to the Audit Committee for review and approval. The Audit Committee approved the plan and forwarded it to the City Council for approval. Our presentation can be found on our website at: <http://www.sandiego.gov/auditor/pdf/revisedriskpresentation0908.pdf>
- September 8, 2008 – Presented an update on the CCDC Performance Audit. The Audit Committee has directed the City Auditor to go forward with an audit of CCDC by issuing a Request for Proposal (RFP) to hire an audit firm. The presentation included a timeline on the RFP process and the target date to complete the audit. Our presentation can be found on our website at: <http://www.sandiego.gov/auditor/pdf/0908ccdcaditupdate.pdf>



**Audit Reports and Accomplishments (Continued):**

- September 10, 2008 – Issued the Southeastern Economic Development Corporation (SEDC) Performance Audit of Operations conducted by Macias Consulting Group. The report contained significant audit finding and included 33 recommendations for improving SEDC's operations and strengthening City oversight. The audit report can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/sedcauditreport.pdf>
- September 15, 2008 – Issued Macias Consulting Group's response to SEDC President Carolyn Y. Smith's written response regarding the SEDC Performance Audit Report. The written response can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/responsememotosedc.pdf>
- September 15, 2008 – The City Auditor and Macias Consulting Group presented the results of the SEDC Performance Audit of Operations to the Audit Committee for review. The presentation can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/sedcperfauditpres915.pdf>

**Current Audits and Activities:**

Audit Activity	Status	Target Completion Date
Close-out Audits	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are conducting a close-out audit for Anna Tatar, former Library Director. A draft audit report has been issued, and is being reviewed by management.	October 23, 2008
	We are conducting a close-out audit for Mark Foreman, former Department Director for the San Diego Family Justice Center. We have used approximately 1 audit hour, and we estimate an additional 23 hours will be needed to complete the audit.	October 30, 2008

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Description / Status</b>	<b>Target Completion Date</b>
<b>City Library Fee Collection Process Audit</b>	The objective of our audit is to determine if the fees collected by the libraries are being properly collected and accurately reported by the City. We are finalizing fieldwork and preparing the draft audit report. We have used approximately 568 audit hours, and we estimate an additional 32 hours will be needed to complete the audit.	November 7, 2008
<b>Annual Central Stores Inventory Audit</b>	The San Diego Municipal Code Section §22.0501 requires an annual audit of inventory in the City storerooms and warehouses. The objectives of this audit are to confirm the valuation of Central Stores inventory and to evaluate the storerooms' internal controls to safeguard inventory. We have used approximately 154 audit hours, and we estimate an additional 86 hours will be needed.	November 7, 2008
<b>Proposition 64 Funds Audit</b>	The objective of this requested audit is to determine if Proposition 64 funds are being properly budgeted and used solely for the enforcement of consumer protection laws. We have used approximately 76 audit hours, and we estimate an additional 124 hours will be needed.	November 7, 2008

**Current Audits and Activities (Continued):**

Audit Activity	Status	Target Completion Date
<b>Purchasing and Contracting – Requisition, Purchase Order and Contract Management</b>	The objective of this audit is to determine if Purchasing and Contracting has sound procurement procedures in place and to evaluate the efficiency and effectiveness of the department's procedures. We are including an audit of the contracts associated with the debris removal program to clear homes destroyed in the wildfires within the scope of this audit. Our target date to issue an interim report on the debris removal contracts is October 31, 2008, and our target date to finish the audit of Citywide purchasing and contracting procedures is December 15, 2008. We have used approximately 910 audit hours to date and we estimate an additional 390 audit hours will be needed.	December 15, 2008
<b>Audit of Internal Control Remediations</b>	The objective of this audit is to test and verify management's remediation efforts to correct weaknesses identified in the Kroll Report, external auditors' reports and the Internal Auditor's reports. We have used approximately 1,728 audit hours, and we estimate an additional 712 hours will be needed to test the remaining 44 items.	February 27, 2009
<b>Centre City Economic Development Corporation (CCDC) Audit</b>	Prepared the audit scope for the Request for Proposal (RFP) to hire an audit firm to conduct a performance audit of CCDC. October 28, 2008 is the target date for City Council to review and approval the audit contract. Once the contract is approved, it will take approximately 6 months to complete the audit.	April 30, 2009

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>San Diego Convention Center Corporation Audit</b>	We are in the process of developing an RFP for audit services to perform an ethics and accountability review of the San Diego Convention Center Corporation.	TBD
<b>Enterprise Resource Planning (ERP) System Implementation Review</b>	The objectives of this audit are to: (a) determine if the City's key financial activities are being adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system and (b) determine if the system was adequately tested prior to implementation. Approximately 292 audit hours have been used for this review, and we estimate an additional 1,638 hours will be needed.	TBD
<b>Disclosure Practices Working Group (DPWG)</b>	City Auditor staff participates in DPWG meetings as an ex officio member. Approximately 16 hours were spent participating in various DPWG meetings during the month.	On-going

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Fraud, Waste and Abuse Hotline</b>	We review and administer the City's Hotline calls that are received. We prepare hotline reports for the calls that are personnel related and they are reviewed at biweekly hotline intake committee meetings by Labor Relations, Personnel and the Office of Ethics and Integrity. Investigations are performed by the Office of the City Auditor for accusations of material fraudulent activity or questionable financial reporting. During the month of September 2008, there were 24 new hotline calls received, and the Office of the City Auditor is investigating 4 of the allegations.	On-going
<b>Follow-up on Previously Issued Audit Reports</b>	We previously reviewed audit reports that did not have a response from management on file indicating that the audit recommendations were implemented. We have received all audit report responses needed with the exception of the following two reports: 1. SDCERS - Audit of Account of George Loveland. 2. SDCERS - Audit of Corbett Payment 2004 and Related Allowances. The SDCERS has a target date of October 15, 2008 to provide written responses to these reports.	On-going

**Planned Audits Not Yet Started:**

<b>Planned Audit</b>	<b>Description</b>	<b>Estimated Audit Hours</b>
<b>Real Estate Assets-Qualcomm Stadium Administration Audit</b>	The objective of this audit is to determine if the revenue generated by Qualcomm Stadium is being properly collected and accurately reported by the City.	440
<b>City Treasurer - Investment Activities Audit</b>	The objective of this audit is to determine if investments are being properly handled, accounted for and accurately reported in the City's financial statements.	600
<b>City Treasurer - Delinquent Account Collections Audit</b>	The objective of this audit is to determine if overdue accounts payable to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements.	800
<b>Park and Recreation - Recreation Facilities Operations Audit</b>	The objective of this audit is to determine if Park and Recreation's Recreation facilities are properly collecting and accounting for fees.	480
<b>Risk Management - Public Liability and Loss Recovery Audit</b>	The objective of this audit is to determine if public liability and loss recovery is being properly handled, accounted for and accurately reported in the City's financial statements.	800
<b>San Diego Housing Commission Audit</b>	The objective of this audit is to determine if the San Diego Housing Commission has sound procurement and executive compensation practices. We will also review their development and asset management program.	800

**Planned Audits Not Yet Started (Continued):**

<b>Planned Audit</b>	<b>Description</b>	<b>Estimated Audit Hours</b>
<b>City Treasurer - Parking Meter Operations Audit</b>	The objective of this audit is to determine if the collections for parking meters is being properly accounted for and efficiently and effectively handled.	600
<b>General Services - Streets Division Roadways Audit</b>	The objective of this audit is to determine if the City streets are being efficiently and effectively maintained by the City.	800
<b>Purchasing and Contracting - Equal Opportunity Contracting and Labor Compliance Audit</b>	The objective of this audit is to determine the efficiency and effectiveness of the City's equal opportunity contracting and labor compliance.	400
<b>Annual Central Stores Inventory Audit FY09</b>	The San Diego Municipal Code Section §22.0501 requires an annual audit of inventory in the City storerooms and warehouses. The objective of this audit is to confirm the valuation of Central Stores inventory and to evaluate the storerooms' internal controls to safeguard inventory.	80 (FY09) 160 (FY10)

cc: Honorable Mayor Jerry Sanders  
Honorable City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Michael Aguirre, City Attorney  
Andrea Tevlin, Independent Budget Analyst  
Stanley Keller, Independent Oversight Monitor